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# Registration, Book-keeping and Audit

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# Registration

# Registration – Relevant Definitions / Issues

- “Person” and “Registered Person” – S-2(27) and S-2(31)
- “Resident” and “Non-resident” – S-2(33)
- “Place of Business in Sindh” – S-2(28)
- ‘Service’ – Inclusive definition, not limited to headings/sub-headings of Chapter 98 of Pakistan Customs Tariff
- Threshold of registration prescribed for specific services only.

# Registration – Section 24

- Who is required to be registered?
- Un-registered recipient of service may be treated as deemed registered person if he receives:
  - the service or
  - invoice for value of service or
  - consideration for service

} whichever is earlier
- Single registration for multiple places of business, or if more than one taxable service provided.
- Application for registration in Form SST-01 be filed electronically with SRB [[www.e.srb.gos.pk](http://www.e.srb.gos.pk)].
- Provisional registration certificate issued immediately and then the verification/process to be completed within 30 days.

# Automatic grant of registration - Rule 6

- Existing taxpayers are automatically registered for Sindh Sales Tax on Services.
- No requirement to file application for registration for taxpayers.
- SRB's registration number is assigned by adding S as prefix to NTN [S+NTN]
- Enrollment can be effected at SRB's web portal.

# Voluntary Registration - Section 24A

## Voluntary Registration

- A person who carries on an economic activity is allowed to register voluntarily if the prescribed requirements are fulfilled.
- One of the requirements is that the person provides or will provide the taxable services.
- Benefits of voluntary registration.

# Compulsory Registration - Section 24A

- The SRB may compulsorily register any person, required to be registered but has not applied for registration.
- No compulsory registration without advance notice to the person and providing an opportunity of being heard.

# Change in Particulars & Transfer of Registration

## Change in Particulars – Rule 7

- In case of any change in particulars of registration, the registered person shall notify SRB by filing the prescribed form.
- SRB may either reject or approve the change within 30 days of application.

## Transfer of Registration – Rule 8

- SRB empowered to transfer registration from the jurisdiction of one Commissionerate to another.
- Due to shifting of business activity from jurisdiction of one Commissionerate to another or due to any valid reason, the registered person is required to apply for transfer of registration.
- SRB to issue intimation letter within 15 days.

# Suspension of Registration - Section 25

- SRB may suspend registration where a registered person is suspected of committing any fraud, deliberate and intentional, non-payment, short payment or evasion of tax.
- SRB shall give notice stating the reasons for suspension and the remedial action required to be taken by person within specified time.
- SRB may withdraw suspension within 60 days if it is satisfied with the remedial actions taken by the person.
- If suspension not withdrawn within 60 days then SRB may:
  - initiate proceedings against the non-compliance;
  - reinstate the person's registration; or
  - cancel the person's registration.

# De-registration – Section 25A read with Rule 9

- SRB / officer of SRB may de-register a person.
- A registered person who ceases to provide taxable services, may apply for de-registration to SRB through form SST-02.
- The application for de-registration must be disposed off within a period of 3 months from the date of receipt of the application, such period can be extended upto 60 days.
- The date of de-registration would be the date specified in de-registration application or on the date outstanding dues are deposited, whichever is later.



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# RECORDS / BOOK-KEEPING

# Records – Section 26

- Every registered person or his agent providing taxable services shall maintain and keep following records at his business premises or registered office:
  - Records of taxable services showing description of service, value of service, particulars of recipient of service.
  - Records of exempt services.
  - Records prescribed by Board.
- A registered person may be subjected to use only such business bank accounts as specified by SRB.
- Use of electronic fiscal cash registers by specified registered persons
- Board may prescribe procedure / software for e-maintenance of records.
- To submit a copy of annual audited accounts, along with a certificate by the auditors on correctness of the payment of sales tax due.

# Retention and production of records

## Section 27

- A registered person is required to maintain the prescribed records or documents for a period of 5 years or till the final decision in any proceeding, whichever is later.
- Records maintained under any other law also be requisitioned by SRB.
- Production of statutory records / access to computerized records.

# Access to premises, stock, accounts and records – Section 51

- Replica of S-38 of Sales Tax Act, 1990.
- Authorized officer by SRB shall have free access to the business premises / other place where records are kept.
- Inspection of goods, stocks, records, data, documents, correspondence, accounts, statements, utility bills, bank statements, etc.
- Government departments, local bodies, autonomous bodies, corporation and other institutions are bound to provide requisite information to SRB.

# Invoicing – Rule 29

- A service provider, rendering taxable services shall issue serially numbered sales tax invoices mentioning:
  - Description and type of services.
  - Value of services
  - Name and address of the recipient of services.
- Serially numbered tax invoice can be issued at month end, where the customers extended credit facility.
- Computer generated sales tax invoices can be issued.
- Banks still have immunity from issuance of tax invoice – Rule 30(7).

# Records prescribed under Special Procedures

## Banks / NBFCs

- A reconciliation statement in prescribed format shall be filed by 15<sup>th</sup> of the month following the end of every quarter – Format prescribed under SRB Notification.
- Each outlet of the company located in Sindh shall maintain records of the services provided or rendered enabling distinct ascertainment of collection of sales tax on the services.
- Copy on annual audit report to Commissioner – SRB by 15<sup>th</sup> day of its publication.

- **Insurance:** Copy of annual audit report be submitted to the Commissioner within 15 days of the receipt.
- **Shipping Agent:** Monthly statement of ships handled by 15<sup>th</sup> day of following month – SRB notification.
- **Advertisement:** Account sales register and quarterly statement [formats prescribed under Rule 33]
- **Telecommunication:** Monthly prescribed statements for post paid, pre-paid and other telephone services alongwith proof of payments.
- **Custom Agents & Ship chandlers:** Proper itemized bills / invoices.
- **Freight forwarders:** House bills of lading
- **Hotels / Restaurants / Caterers / Clubs:** Menu cards showing price of each item inclusive of duty and tax, bills and cash memos.



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# Audit

# Objectives of Audit from Department's perspective

- Ensure compliance and accuracy
- Detection of errors, omissions, mis-statements and concealments
- Create deterrence
- Broadening of tax base

# Audit Proceedings - Section 28

- Audit by officer not below the rank of an Assistant Commissioner SRB
- Investigative audit in case of information regarding tax fraud or evasion of tax by authorized officer by Commissioner
- Prior notice for audit requiring to produce records or documents
- Audit to be conducted once in a year unless tax fraud is established or special audit initiated
- Audit observation pointing out contraventions – 21 days time to respond by registered person
- Audit report showing demand of tax/violation of law to be issued by officer of SRB

- AC-SRB may pass an order under section 23 or section 47 and establish tax demand alongwith default surcharge and penalty.
- S-23 & 47 requires issue of show cause notice and adjudication
- Voluntary compliance for payment of tax waives penalty:
  - Before issue of audit notice, no penalty payable
  - Before SCN, 20% penalty payable with revision of return
  - After SCN, 50% penalty with revision of return
- Unlike Section 25 of Sales Tax Act, revision of return not prescribed in voluntary payments allowing waiver of penalty.
- Order issued within 120 days is further extendable for 60 days excluding time taken for adjournment of proceeding of stay/ADR

# Special Audit – Section 29

- Board may appoint Chartered Accountant or Cost & Management Accountant by notification for Special Audit.
- Special audit of the same period allowed, already audited by SRB under section 28 of Sindh Act.
- Special Auditor empowered as officer of SRB
- Scope of Special Audit in accordance with TOR as per Rule 47.

# Transition – Section 83

- Sindh Sales Tax Ordinance, 2000 repealed
- Officer of SRB empowered to make/initiate assessment of open tax periods effective from 01 July, 2011
- Scope of taxation not to enhance for prior periods
- Pending litigations not to be affected
- Sales tax arrears under repealed Ordinance to be recovered by SRB
- No saving provided for excisable services brought under Provincial ambit

# Remedies

- Conventional Appeal Forums
- Alternate Dispute Resolution
- Ombudsman for maladministration
- Removal of difficulty under Section 74 for initial 5 years
- Correction of clerical or arithmetic errors under section 76
- Revision by SRB
- Revision by Board

# Gearing-up for Audit

- Prescribed records to be maintained efficiently
- Application of Sindh Sales Tax Withholding Rules
- Input adjustments made cautiously & in accordance with law
- Reconciliation of sales revenues with audited accounts
- Application of provisions relating to reverse charge.
- Transactions between associates and concept of open market price.
- Pre-audit / periodic review of records



# THANK YOU